Attachment 1

Emerging Equity Market Principles

1. Countries should be politically stable and making progress toward the development of basic democratic institutions and principles, including such things as: (1) a strong and impartial legal system; and (2) respect and enforcement of property and shareowner rights. Managers should take into account such things as:

   - Political risk: internal and external conflict; corruption; the military and religion in politics; law and order; ethnic tensions; democratic accountability; bureaucratic quality.
   - Civil liberties: freedom of expression, association and organization rights; rule of law and human rights; free trade unions and effective collective bargaining; personal autonomy and economic rights.
   - Independent judiciary and legal protection: an absence of irregular payments made to the judiciary; the extent to which there is a trusted legal framework that honors contacts, clearly delineates ownership and protects financial assets.

2. Countries and companies should promote transparency of information, including elements of a free press. Managers should take into account such things as:

   - Freedom of the press: structure of the news delivery system in a country; laws and their promulgation with respect to the influence of the news; the degree of political influence and control; economic influences on the news; the degree to which there are violations against the media with respect to physical violations and censorship.
   - Monetary and fiscal transparency: the extent to which governmental monetary and fiscal policies and implementation are publicly available in a clear and timely manner, in accordance with international standards.
   - Stock exchange listing requirements: stringency of stock exchange listing requirements with respect to frequency of financial reporting, the requirement of annual independent audits, and minimal financial viability.
   - Accounting standards: the extent to which U.S. GAAP or IAS is used in financial reporting; whether the country is a member of the International Accounting Standards Council.

3. Countries and companies should not engage in harmful labor practices or use child labor and should be in, or moving toward, compliance with the International Labor Organization (ILO) Declaration on the Fundamental Principles and Rights at Work. Managers should take into account such things as:

   - ILO ratification: whether the convention is ratified, not ratified, pending ratification or denounced.
   - Quality of enabling legislation: the extent to which the rights described in the ILO convention are protected by law.

- Institutional capacity: the extent to which governmental administrative bodies with labor law enforcement responsibility exist at the national, regional and local level.
- Effectiveness of implementation: evidence that enforcement procedures exist and are working effectively; evidence of a clear grievance process that is utilized and provides penalties that have deterrence value.

4. Companies should promote corporate social responsibility and long-term sustainability, including environmental sustainability, and should be in, or moving toward, compliance with the Global Sullivan Principles of Corporate Social Responsibility.

5. Countries should provide necessary market regulation and liquidity and evidence little to no repatriation risk. Potential market and currency volatility should be adequately rewarded. Managers should take into account such things as:

   - Market capitalization
   - Change in market capitalization
   - Average monthly trading volume
   - Growth in listed companies
   - Market volatility as measured by standard deviation
   - Return/risk ratio

6. Countries should support free market policies, openness to foreign investors, and legal protection for foreign investors. Managers should take into account such things as:

   - Foreign investment: degree to which there are restrictions on foreign ownership of local assets, repatriation restrictions or un-equal treatment of foreigners and locals under the law.
   - Trade policy: degree to which there are deterrents to free trade such as trade barriers and punitive tariffs.
   - Banking and finance: degree of government ownership of banks and allocation of credit; freedom financial institutions have to offer all types of financial services; protectionist banking regulations against foreigners.

7. Countries should have markets with reasonable trading and settlement proficiency and reasonable transaction costs. Managers should take into account such things as:
   - Trading and settlement proficiency: degree to which a country's trading and settlement is automated; success of the market in settling transactions in a timely, efficient manner.
   - Transaction costs: the costs associated with trading in a particular market, including stamp taxes and duties; amount of dividends and income taxed; capital gains taxes.

8. Companies should provide appropriate disclosure on environmental, social, and corporate governance issues.